



CALIFORNIA
DEPARTMENT OF
EDUCATION

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State Superintendent of
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Dear County Superintendents of Schools, Auditors, Treasurers, and Special Education
Local Plan Directors:

2004-05 FIRST PRINCIPAL APPORTIONMENT

Toward the end of February, county treasurers received a warrant that reflects state aid for programs included in the 2004-05 First Principal Apportionment for elementary, high, and unified school districts, charter schools, and county offices of education. The 2004-05 First Principal Apportionment statewide equals \$23,584,120,104.

Included with this letter is a summary of the method by which the 2004-05 First Principal Apportionment was calculated, as well as a summary listing of all apportionment exhibits. A copy of this letter, the apportionment exhibits providing First Principal Apportionment and prior-year correction detail, and a list of the staff of the School Fiscal Services Division who can assist you if you have program specific questions, are available on the California Department of Education's Web site under Principal Apportionments at <http://www2.cde.ca.gov/principalapp/>. Exhibits for Special Education can be obtained under Allocations/Apportionments at <http://www.cde.ca.gov/fg/aa/se/>. An exhibit is generated for a particular local educational agency (LEA) only if the exhibit is relevant to that LEA's funding. Prior year exhibits will be posted only if there has been a change to funding amounts.

County superintendents should advise districts and charter schools of this apportionment as soon as possible by providing them a copy of this letter.

If you need assistance, or have any further questions, please contact the Office of Principal Apportionment and Special Education at (916) 324-4541.

Sincerely,

JACK O'CONNELL

Calculations to Determine the 2004-05 First Principal Apportionment

Apportionment Highlights (Fiscal Year 2004-05)

Equalization Adjustment for School Districts. An adjustment to the base revenue limit rate was made to those school districts whose 2003-04 base revenue limit per unit of average daily attendance (ADA) fell below the 2003-04 base revenue limit per ADA above which fall not more than ten percent of the total statewide units of ADA for each category as displayed below. Senate Bill (SB) 1108 (Chapter 216, Statutes of 2004) appropriated \$109.914 million for purposes of this adjustment, which was determined pursuant to *Education Code* Section 42238.44. A factor of 0.1960567371415 was applied to each adjustment to prorate entitlements down to the appropriation. The calculation details are displayed on the Worksheet Q and Exhibit I-26.

<u>District</u>	<u>2003-04 P-2 ADA</u>	<u>Adjusted Base Revenue Limit of District at the 90th Percentile</u>
Elementary	Less than 101	\$5,563.04
Elementary	More than 100	\$4,524.08
High School	Less than 301	\$5,980.97
High School	More than 300	\$5,405.30
Unified	Less than 1,501	\$5,147.34
Unified	More than 1,500	\$4,697.55

Public Employees' Retirement System Reduction. The 2004 Budget Act (Chapter 208, Statutes of 2004) appropriated \$36.177 million to reduce the Public Employees' Retirement System (PERS) offset to revenue limits. To arrive at this statewide total adjustment, a factor of 0.80586095 was applied to the PERS adjustment before reducing the amount from the revenue limit, thereby increasing the total revenue limit for school districts and county offices of education.

Core Supplemental Instruction (Kindergarten and Grades One through Twelve). 2004-05 first period hours for kindergarten and grades one through twelve pupil attendance in this program were used. The maximum number of funded hours for local educational agencies (LEAs) was calculated by multiplying 120 hours by five (5) percent of the October 2003 California Basic Educational Data System (CBEDS) kindergarten and grades one through twelve enrollment. The 2004 Budget Act appropriated \$67.942 million for this program; however, total statewide claims at the 2004-05 First Principal (P-1) Apportionment were \$82.521 million. As a result, a deficit factor of 0.862979440 was applied to the funding for all LEAs. There is an additional appropriation of \$20.996 million authorized by SB 1108 that was deferred to fiscal year 2005-06 to be expended consistent with the requirements specified in the 2004 Budget Act. This appropriation will be included in the program funding calculation at the 2004-05 Second Principal (P-2) Apportionment, which could reduce the deficit.

Low Standardized Testing and Reporting (STAR) Program and At-Risk of Retention (Grades Two through Six). 2004-05 first period hours for grades two through six pupil attendance in these programs were used. The maximum number of funded hours for grades two through six pupils identified as having a deficiency in mathematics, reading, or written expression based on STAR scores or identified as at risk of retention pursuant to *Education Code* Section 48070.5 was calculated by multiplying 120 hours by five (5) percent of the October 2003 CBEDS grades two through six enrollment. The 2004 Budget Act appropriated \$14.462 million for these programs; however, total statewide claims at P-1 were \$20.765 million. As a result, a deficit factor of 0.73001522 was applied to the total funding for both programs. There is an additional appropriation of \$4.469 million authorized by SB 1108 that was deferred to fiscal year 2005-06 to be expended consistent with the requirements specified in the 2004 Budget Act. This appropriation will be included in the program funding calculations at the 2004-05 P-2 Apportionment.

School Districts

The ADA and other data reported on the Principal Apportionment Revenue software was used to calculate this apportionment. Revenue limits were increased by the 2004-05 cost-of-living adjustment (COLA) of 2.41 percent. SB 1108 authorized reductions to the revenue limit by 0.323 percent and 1.826 percent. As a result, deficit factors of 0.99677 and 0.98174 were applied to the revenue limit funding.

Continuation Schools. The 2003-04 P-2 ADA for continuation schools and classes was multiplied by \$14.5421 (dollar amount of 2004-05 COLA) and added to the 2003-04 Annual amounts. Newly approved continuation schools for 2004-05 were also included in the calculation.

Beginning Teacher Salary (BTS)

BTS #1. Funding was computed by multiplying 2003-04 P-2 ADA by a rate of \$10.16 (prior year rate of \$9.92 increased by a 2.41 percent COLA). Pursuant to statute, the same calculation was performed separately for Regional Occupational Centers and Programs (ROC/P) ADA. The two totals were combined and added to the district's revenue limit.

BTS #2. Funding for districts that chose option one was computed by multiplying 2004-05 P-1 ADA by a rate of \$6.63, (prior year rate of \$6.47 increased by a 2.41 percent COLA). The initial rate for districts that chose option two was determined by dividing the November 2002 apportionment by the 2001-02 P-2 ADA. This rate was then increased by the 2.41 percent COLA and multiplied by 2004-05 P-1 ADA. The same

calculations were performed separately for ROC/P ADA. Adult and Block Grant funded charter school ADA were excluded in all calculations.

Apprentice Program. The lesser of the 2004-05 reported apprentice hours or the 2004-05 capped apprentice hours was multiplied by the hourly rate of \$4.86.

County Offices of Education

The 2004-05 P-1 ADA and other data reported on the Principal Apportionment Revenue software were used to calculate this apportionment. Revenue limits were increased by the 2004-05 COLA of 2.41 percent. SB 1108 authorized reductions to the revenue limit by 0.323 percent and 1.826 percent. As a result, deficit factors of 0.99677 and 0.98174 were applied to the revenue limit funding.

Charter Schools

The 2004-05 P-1 ADA and other data reported on the Principal Apportionment Revenue software were used to calculate this apportionment. In addition, the nonclassroom-based ADA was adjusted for charter schools that received a determination of funding (reduction) from the State Board of Education. The apportionment for charter schools was computed using two funding models – the district or county office revenue limit model and the block grant funding model. Exhibit I provides the computation for a school district in which all schools have been converted to charter schools pursuant to *Education Code* Section 47606 and funded through the district revenue limit model. There is no special exhibit for charter schools funded through the county office revenue limit; the funding for these charter schools is included in the county office Form O. Exhibits N-1 and N-2 provide the computation for charter schools that are funded through the block grant funding model.

Funding information for direct funded block grant charter schools is provided on the Exhibit C and a detail funding summary for locally funded block grant charter schools is provided on the Exhibit C-CH. The funding amounts on the Exhibit C-CH are already included with, and not in addition to, the district totals on the Exhibit C. Exhibit D-CH provides the detail for adjustments to prior years for direct funded block grant charter schools; for locally funded block grant schools, the adjustments are included in the detail of the charter school's sponsoring or authorizing local educational agency on Exhibit D. Funding entitlements change, in general, to reflect revised ADA or updated property tax information. Only those charter schools with prior year changes ("corrections") are displayed.

The apportionment also includes funding adjustments to charter schools that have received an overpayment of state aid in current and prior years due to one or more changes in the block grant rates, ADA, local revenue, or data used in the apportionment calculations. The overpaid amounts are displayed in Columns 12 and 13 on the Exhibit C and Exhibit C-CH. The overpayment is a liability owed to the State and, for most charter schools, will be collected through the apportionment process in the 2004-05 fiscal year. In some cases, an invoice will be sent directly to the charter school.

The general purpose (block grant) amounts per ADA are based on statewide average revenue limits for the applicable grade levels. These amounts are calculated at each apportionment, and the 2004-05 P-1 Apportionment amounts are as follows:

Kindergarten and Grades One through Three	\$4,717
Grades Four through Six	\$4,787
Grades Seven and Eight	\$4,924
Grades Nine through Twelve	\$5,714

The 2004 Budget Act authorized using a single funding rate per ADA for the categorical block grant program for fiscal year 2004-05. The rate is calculated at each apportionment and shall not exceed \$292 per ADA and prorated downward as necessary given total charter school ADA. The rate is \$276 per ADA for kindergarten and grades one through twelve.

The funding per identified educationally disadvantaged pupil is \$115 per pupil. The minimum grant amounts are \$5,019 for one to ten eligible pupils and \$7,533 for 11 or more eligible pupils.

Adult Education

Pursuant to Assembly Bill (AB) 1266 (Chapter 573, Statutes of 2003), the entitlement for adult education was calculated using the lesser of the 2003-04 Annual reported ADA or the 2003-04 fundable adult education ADA cap, increased by a growth factor of 2.5 percent. The 2004-05 adult education base revenue limit COLA/equalization amount was calculated pursuant to *Education Code* Section 52616.16 and was fully equalized at P-1. As a result, all adult education programs have the same base revenue limit per ADA of \$2,287.08. Also, there was an additional COLA amount of \$5.18 added to the base revenue limit due to sufficient COLA funding available in the appropriation for the program.

Regional Occupational Centers/Programs

Pursuant to AB 1266, the lesser of the 2003-04 Annual reported ADA or the 2004-05 ROC/P ADA cap was multiplied by the 2004-05 revenue limit to establish the base funding. A 2.41 percent COLA of \$73.45 per ADA was added to the weighted base revenue limit to establish the 2004-05 revenue limit.

Community Day School

2004-05 P-1 ADA for community day schools was used. Schools with newly approved small school waivers will receive the amount for one certificated teacher displayed on the Schedule F funding table for necessary small schools.

Gifted and Talented Education

The per-ADA funding rate for Gifted and Talented Education (GATE) was calculated by dividing the total funds appropriated for GATE in the 2004 Budget Act by the total prior year P-2 ADA for the eligible school districts and county offices that reported participation in GATE in the current year. The actual amount per eligible district and county office will be determined by calculations based on ADA. Districts with fewer than 1,500 ADA received the highest of \$2,500, the amount it received in 1998-99, or funding based on the rate described above (as adjusted for prior year COLAs). The 2004 Budget Act and SB 1108 appropriated \$44.018 million and \$4.092 million for the program, respectively; however, total statewide claims at P-1 were \$53.631 million. As a result, a deficit factor of 0.89705099 was applied to the funding for all LEAs. In addition, the appropriation authorized by SB 1108 was deferred to fiscal year 2005-06 to be expended consistent with the requirements specified in the 2004 Budget Act, which resulted in a proration factor of 0.98193441 applied to the funding at P-1. The additional funding will be included in the program funding calculation at the 2004-05 P-2 apportionment, which should eliminate the proration factor.

Apportionment Highlights (Fiscal Years 2003-04 and 2002-03)

PERS Reduction. AB 1818 (Chapter 1168, Statutes of 2002) appropriated \$35 million to reduce the PERS offset to revenue limits for fiscal year 2003-04. A factor of 0.77176891 was applied to the PERS adjustment, thereby increasing the total revenue limit for school districts and county offices of education.

Low STAR and At-Risk of Retention (Grades Two through Six). 2003-04 Annual hours for grades two through six pupil attendance in these programs were used. The maximum number of funded hours for grades two through six pupils identified as having a deficiency in mathematics, reading, or written expression based on STAR scores or identified as at risk of retention pursuant to *Education Code* Section 48070.5 was calculated by multiplying 120 hours by five (5) percent of the October 2002 CBEDS grades two through six enrollment. The 2003 Budget Act (Chapter 157, Statutes of 2003) and AB 1754 (Chapter 227, Statutes of 2003) appropriated a total of \$17.911 million for the programs; however, total statewide claims to date were \$30.880 million. As a result, a deficit factor of 0.580017770 was applied to the total funding for both programs.

Charter School Categorical Block Grant. 2003-04 P-2 and Annual ADA and educationally disadvantaged pupil counts for charter schools were used. The 2003 Budget Act and AB 1754 appropriated a total of \$35.650 million for the program; however, total statewide claims to date were \$36.587 million. As a result, a deficit factor of 0.974033447 was applied to the total categorical block grant funding for each charter school.

Community Day School. Pursuant to authorization in SB 1108, a special apportionment was made in November 2004 to provide additional funding for the Community Day Schools Program for both fiscal years 2002-03 and 2003-04. That apportionment provided a lump-sum payment of the difference between the annualized program entitlements and the amounts previously paid for the 2002-03 and 2003-04 fiscal years. These revised program entitlements were included in the Form K-12 for school districts and the Form O for county offices of education. The differences, which should equal the amount of the special apportionment, are reflected in the Exhibit D or Exhibit E, respectively. Accordingly, since the revised entitlement differences were incorporated into the P-1 apportionment, a negative adjustment was also made in the Exhibit D or Exhibit E to account for the special apportionment payment. The combined adjustments should net to zero for most LEAs.

Elementary School Intensive Reading (Kindergarten and Grades One through Four). 2002-03 Annual hours for kindergarten and grades one through four pupil attendance

in this program were used. The maximum number of funded hours for LEAs was calculated by multiplying 120 hours by ten (10) percent of the October 2001 CBEDS kindergarten and grades one through four enrollment, reduced by block grant funded charter school enrollment. The 2002 Budget Act (Chapter 379, Statutes of 2002) and SBX1 18 (Chapter 4, First Extraordinary Session of 2003) appropriated a total of \$30.549 million for the program; however, total statewide claims to date were \$43.630 million. As a result, a deficit factor of 0.69648050 was applied to the funding for the program.

Adult Education. 2002-03 Annual attendance in this program was used. The adult education funding was calculated by multiplying the lesser of the Annual ADA or the cap ADA by the base revenue limit. The 2002 Budget Act and SBX1 18 appropriated a total of \$582.038 million for the program; however, total statewide claims to date are \$588.749 million. As a result, a deficit factor of 0.988601480 was applied to the adult education funding.

Calculations to Determine the 2004-05 First Principal Apportionment

Special Education

Apportionment Highlights (Fiscal Year 2004-05)

Assembly Bill (AB) 602. Total state funding for special education for 2004-05 increased by 1.18 percent from 2003-04, while federal funding increased by 16.84 percent. Local property taxes decreased 11.47 percent from the 2003-04 Annual apportionment, resulting in a 0.9946759960 proration factor applied to the AB 602 base apportionment. Statewide average daily attendance (ADA) increased 1.12 percent from the 2003-04 Annual Apportionment, resulting in a 0.9841328728 proration factor applied to the AB 602 growth apportionment. All other 2004-05 AB 602 entitlements were fully funded at the First Principal Apportionment (P-1).

Out-of-Home Care (new). As detailed in *Education Code* Section 56836.165, Out-of-Home Care funding replaced the 100 percent reimbursement funding for nonpublic school and agency tuition for students residing in licensed children's institutions (NPS/LCI). The 2004 Budget Act (Chapter 208, Statutes of 2004) provided \$159.61 million for Out-of-Home Care funding. At P-1, special education local plan areas (SELPAs) were guaranteed a "hold harmless" amount equal to their 2002-03 Annual R-1 NPS/LCI funding, which totaled \$122.59 million statewide. SELPAs were entitled to an additional \$80.63 million from the new funding model, yet the 2004 Budget Act remainder of \$37.02 million resulted in a 0.4591816111 proration factor applied to the additional entitlement. The California Department of Education included this funding in the AB 602 apportionment, and will update the calculation at the Second Principal (P-2) Apportionment in July 2005 with April 2005 bed counts.

Mental Health (new). The 2004 Budget Act provided \$31 million to be allocated to SELPAs on a per ADA basis, as specified in Senate Bill 1895 (Chapter 493, Statutes of 2004). This funding is to provide mental health services required by an individual education plan pursuant to the federal Individuals with Disabilities Act. A pupil needing mental health services may be referred by the local educational agency to a community mental health service in accordance with Section 7576 of the *Government Code*. At P-1, SELPAs received approximately \$5.19 per ADA included in the AB 602 apportionment.

Infant (ages two years and younger) Program. Total funding for the 2004-05 Infant Program increased by 4.06 percent over 2003-04. While the infant growth calculation identified 13.87 growth units at an estimated cost of \$1.2 million, the 2004 Budget Act provided \$702,533 for the infant growth portion of the calculation. As a result, a proration factor of 0.59 was applied to growth units pursuant to *Education Code* Section 56432 (h).

Following are the 2004-05 Infant Program statewide average unit rates:

	2003-04 Statewide Average Rate	2004-05 Cost of Living Adjustment Rate (2.41%)	2004-05 Statewide Average Rate
Special Day Class	\$48,173	\$1,161	\$49,334
Resource Specialist	\$50,791	\$1,224	\$52,015
Designated Instruction and Services	\$47,576	\$1,147	\$48,723
Aide	\$19,562	\$ 471	\$20,033

Apportionment Highlights (Fiscal Years 2003-04 and 2002-03)

AB 602. All 2003-04 AB 602 entitlements were fully funded at the Annual Apportionment (Annual). The 2003 Budget Act (Chapter 157, Statutes of 2003) included \$290,000 to ensure full funding for state special education programs, with any remainder to be allocated on a per ADA basis pursuant to *Education Code* Section 56836.158. At Annual, no funds were needed to augment the funding provided for special education instruction. The entire \$290,000 was allocated at a rate of \$0.05 per ADA.

All 2002-03 AB 602 entitlements were fully funded at the recertification of Annual (Annual R-2). The 2002 Budget Act (Chapter 379, Statutes of 2002) provided \$8.189 million to ensure full funding for state special education programs, with any remainder to be allocated on a per ADA basis pursuant to *Education Code* Section 56836.158. At Annual R-2, \$5.220 million was used to augment the funding provided for special education instruction, leaving \$2.968 million to allocate at a rate of \$0.51 per ADA.

Infant (ages two years and younger) Program. A reallocation of units for multiple counties decreased the 2003-04 Infant Program entitlement by \$34,961 from P-2 for a revised program total allocation of \$54.86 million. There were no changes to the 2002-03 Infant Program funding amounts.